

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:	BUCHANAN PRODUCTION COMPANY)	
)	VIRGINIA GAS
)	AND OIL BOARD
RELIEF SOUGHT:	POOLING OF INTERESTS IN)	
	DRILLING UNIT NO. K-12/K-12B)	DOCKET NO.
	LOCATED IN THE OAKWOOD)	99-0720-0735
	COALBED METHANE GAS FIELDS)	
	I AND II PURSUANT TO VA.)	
	CODE § 45.1-361.22,)	
	FOR THE PRODUCTION OF)	
	OCCLUDED NATURAL GAS PRODUCED)	
	FROM COALBEDS AND ROCK STRATA)	
	ASSOCIATED THEREWITH)	
	FROM FRAC WELLS, SHORT HOLES,)	
	UNSEALED GOB, AND ANY)	
	ADDITIONAL WELLS THAT MAY)	
	BE AUTHORIZED PURSUANT TO)	
	VA. CODE § 45.1-361.20)	
	(herein collectively referred)	
	to as "Coalbed Methane Gas")	
	or "Gas"))	
)	
LEGAL DESCRIPTION:)	
)	
	DRILLING UNIT NUMBER K-12/K-12B)	
	(hereafter "Subject Drilling Unit"))	
	IN THE OAKWOOD COALBED METHANE GAS)	
	FIELDS I AND II)	
	S. GRUNDY MAGISTERIAL DISTRICT,)	
	VANSANT QUADRANGLE)	
	BUCHANAN COUNTY, VIRGINIA)	
	(the "Subject Lands" are more)	
	particularly described on Exhibit)	
	"A", attached hereto and made a)	
	part hereof))	

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on September 22, 1999, Southwest Virginia Higher Education Center, Campus of Virginia Highlands Community College, Abingdon, Virginia.

2. Appearances: Mark A. Swartz of Swartz & Stump, L.C., appeared for the Applicant. Sandra B. Riggs was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a search of the reasonably available sources to determine the identity and whereabouts of gas and oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to Coalbed Methane Gas in all coal seams below the Tiller Seam (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands; (2) has given notice to all such parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code §§ 45.1-361.19 and 45.1-361.22, to notice of the Application filed herein; and (3) that the persons set forth in Exhibit B-3 hereto are persons identified by Applicant through its due diligence who may be Owners or Claimants of Coalbed Methane Gas interests in Subject Formation, in Subject Drilling Unit underlying and comprised of Subject Lands, who have not heretofore agreed to lease or sell to the Applicant and/or voluntarily pool their Gas interests. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests (1) that pursuant to Va. Code § 45.1-361.22, including the applicable portions of Va. Code § 45.1-361.21, the Board pool all the rights, interests and estates in and to the Gas in Subject Drilling Unit, including the pooling of the interests of the Applicant and those of the known and unknown persons named in Exhibit B-3 hereto and that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas, produced from the Subject Drilling Unit established for the Subject Formation underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"), and (2) that the Board designate CONSOL Inc. as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted: (1) pursuant to Va. Code § 45.1-361.21.C.3, CONSOL Inc. (hereafter "Unit Operator") is designated as the Unit Operator authorized to drill and operate the wells in Subject Formation in the Subject Drilling Unit, subject to: the permit provisions contained in Va. Code § 45.1-361.27 et seq.; to the Oakwood Coalbed Methane Gas Field I Order OGCB 3-90, dated May 18, 1990; to the Oakwood Coalbed Gas Field II Board's Order 91-1119-0162 effective as of December 17, 1992, to § 4 VAC 25-150 et seq., Gas and Oil Regulations; and to §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the Applicant, the Unit

Operator and that of the known and unknown persons listed on Exhibit B-3, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands.

<u>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location(s)</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coalbeds and coal seams below the Tiller seam, including, but not limited to Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper, Horsepen, Middle Horsepen, War Creek, Lower Horsepen, Pocahontas Nos. 9, 8, 7, 6, 5, 4, 3, 2 and various unnamed seams and associated rock strata	Approximately 80-acre square drilling unit	None	Oakwood Coalbed Gas Field I and Oakwood Coalbed Methane Gas Field II for Coalbed Methane Gas including Frac Well Gas, as well as Unsealed Gob Gas, Short Hole Gas, and Gas from any Additional Well	OGCB 3-90, as amended, (herein "Oakwood I Field Rules") and VGOB No. 91-1119-0162 as amended (herein "Oakwood II Field Rules")

For the Subject Drilling Unit
underlying and comprised of the Subject
Land referred to as:

Unit Number K-12/K-12B
Buchanan County, Virginia

Pursuant to the Oakwood II Field Rules, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for short hole and unsealed gob production of Coalbed Methane Gas dependent upon the particular long wall mining plan applicable to each 80-acre drilling unit.

The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel which has been isolated by the driving of entries is located and from which Unsealed Gob Gas, Short Hole Gas or Gas from any Well authorized by the Code of Virginia is produced, shall calculate production and revenue based upon the mine plan as implemented within each affected 80-acre drilling unit

and in particular, based upon the mineral acreage, as platted upon the surface, in each 80-acre drilling unit actually contained within a long wall panel as depicted by said mine plan. Except as otherwise provided herein, a copy of the pertinent portion of the mine plan being utilized to calculate production, revenue and costs from any affected 80-acre drilling unit shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as follows:

- 7.1. For Short Hole Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- 7.2. For Unsealed Gob Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- 7.3. i. For Gas from Any Well Located in a Long Wall Panel. - After actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, the amount of Gas produced from such a well and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected 80-acre drilling unit and the isolated long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- ii. For Frac Well Gas. - Prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, Gas from any well located in a proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located according to the undivided interests of each Owner/Claimant within the unit, which undivided interest shall be the ratio (expressed as a percentage) that the amount of mineral acreage within each separate tract that is within the Subject Drilling Unit, when platted on the surface, bears to the total mineral acreage, when platted on the surface, contained within the

entire 80-acre drilling unit in the manner set forth in the Oakwood I Field Rules.

8. Election and Election Period: In the event any Gas Owner or Claimant named in Exhibit B-3 hereto does not reach a voluntary agreement to share in the operation of any well to be located in the Subject Drilling Unit and/or outside Subject Drilling Unit but from which production is allocated to Subject Drilling Unit, at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Applicant or Operator, then such person named may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

- 9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in Exhibit B-3 who does not reach a voluntary agreement with the Applicant or Operator may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs of the development contemplated by this Order for frac well gas, short hole gas, unsealed gob gas and gas from any increased density well produced pursuant to the Oakwood I or Oakwood II Field Rules, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit, as more particularly set forth in Virginia Gas and Oil Board Regulation VR 4VAC 25-160-100 (herein "Allocable, Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Total Allocable, Completed-for-Production Panel Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The Total Allocable, Completed-for-Production Panel Costs for the Subject Drilling Unit are as follows:

Allocable, Completed-for-Production Panel Costs:

7 Panel	\$ 63,219.79
6 Panel	<u>22,549.41</u>
Total	\$ 85,769.20

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operators' "Interest in Unit" times the Total Allocable Completed-for-Production Panel Costs set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Total Allocable, Completed-for Production Panel Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Applicant or Operator may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Coalbed Methane Gas produced from any well development covered by this Order multiplied by that person's Division of Interest or proportional share of said production [for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the wellhead, including, but not limited to, all gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person] as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, subject to a final legal determination of ownership, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign, its right, interests, and claims in and to the Gas

produced from Subject Formation in the Subject Drilling Unit to the Applicant.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any Gas Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Applicant or Operator may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Total Completed-for-Production Panel Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Formation in the Subject Drilling Unit shall be deemed and hereby are assigned to the Applicant until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Total Completed-for-Production Panel Costs allocable to the interest of such Carried Well Operator. When the Applicant recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the rights, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign its rights, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event a person named in Exhibit B-3 hereto does not reach a voluntary agreement with the Applicant or Operator and fails to elect within the time, in the manner and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above

for which his interest qualifies, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to a final legal determination of ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas in Subject Formation in the Subject Drilling Unit the consideration provided in Paragraph 9.2 above for which its interest qualifies and shall be deemed to have leased and/or assigned his right, interests, and claims in and to said Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant. Persons who fail to properly elect shall be deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for the right, interests, and claims of such person in and to the Gas produced from the Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event a person named in Exhibit B-3 elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Total Allocable, Completed-for-Production Panel Costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interest, and claims in and to the Gas in Subject Formation in the Subject Drilling Unit the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest.

Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas in Subject Formation underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person named in Exhibit B-3 is unable to reach a voluntary agreement to share in the development and operation of the wells contemplated by this Order at a rate of payment agreed to mutually by said Owner or Claimant and the Applicant or Operator, and such person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of Subject Formations in Subject Drilling Unit, then subject to a final legal determination of ownership, such person shall be deemed to have and shall have assigned unto Applicant such person's right, interests, and claims in and to any well, in Subject Formation in Subject Drilling Unit, and/or outside Subject Drilling Unit but from which production is allocated to Subject Drilling Unit, and other share in production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said election.

13. Unit Operator (or Operator): CONSOL Inc., be and hereby is designated as Unit Operator authorized to drill and operate the wells in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code §§ 45.1-361.27 et seq.; §§ 4 VAC 25-150 et seq., Gas and Oil Regulations; §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations; the Oakwood Coalbed Gas Field I Order OGCB 3-90 and the Oakwood Coalbed Methane Gas Field II Order VGOB 91-1119-0162, all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

CONSOL Inc.
P. O. Box 947
Bluefield, VA 24605
Phone: (540) 988-1016
Fax: (540) 988-1055
Attn: Leslie K. Arrington

14. Commencement of Operations: Unit Operator intends to drill well(s) outside the Subject Drilling Unit from which production will be allocated to the Subject Drilling Unit (herein "Wells"). Unit Operator shall commence or cause to commence operations for the drilling of the Wells) within seven hundred and thirty (730) days of the date of this Order and shall prosecute operation of same with due diligence. If the Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums then payable hereunder; otherwise, unless sooner terminated by Order of the Board at 12:00 P.M. on the date on which all the Wells from which production is allocated to the Subject Drilling Unit are permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the Petition for Appeal and the final order of the circuit court shall be excluded in calculating the two year period referenced herein.

The Unit Operator shall file with the Board notice of the date on which any longwall panel under Subject Drilling Unit becomes isolated by the driving of entries thereby resulting in a change in the method of calculating production and revenue and the allocation of allowable costs from that provided in the Oakwood I Field Rules to that provided in the Oakwood II Field Rules.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are chargeable against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

The Unit Operator has represented to the Board that there are no unknown or unlocatable owners/claimants whose entitlements are subject to the requirements of Paragraph 16.1 below; however, there are conflicting owners/claimants in Tract 3 of Subject Drilling Unit whose entitlements are subject to the requirements of Paragraph 16.2 below. Therefore, by this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account for Tract 3 of Subject Drilling Unit (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

First Union National Bank
Corporate Trust PA1328
123 South Broad Street
Philadelphia, PA 198109-1199
Telephone: (215) 985-3485 or (800) 665-9359
Attention: Corporate Trust Don Ballinghoff

16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and shall, pursuant to Va. Code Ann. § 45.1-361.21.D, be deposited by the Operator into the Escrow Account, commencing within one hundred twenty (120) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are being deposited. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with Va. Code Ann. § 45.1-361.21.D.

16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Va. Code Ann. §§ 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account within one hundred twenty (120) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a

report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.

17. Special Findings: The Board specifically and specially finds:

- 17.1 Applicant is a Virginia general partnership comprised of Appalachian Operators, Inc., and Appalachian Methane, Inc., who are indirect wholly owned subsidiaries of MCN Corporation. Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2 CONSOL Inc. has accepted Applicant's delegation of authority to explore, develop and maintain the properties and assets of Applicant now owned or hereafter acquired, has agreed to explore, develop and maintain the properties and assets of Applicant, and has consented to serve as Coalbed Methane Gas Unit Operator for Subject Drilling Unit and to faithfully discharge the duties imposed upon it as Unit Operator by statute and regulation,
- 17.3 CONSOL Inc. is a Delaware corporation duly authorized to transact business in the Commonwealth of Virginia and is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.4 Applicant, Buchanan Production Company, claims ownership of gas leases, Coalbed Methane Gas leases, and/or coal leases representing 76.1875 percent of the oil and gas interest and 100.00 percent of the coal interest below 800' in Subject Drilling Unit, and Applicant claims the right to explore for, develop and produce Coalbed Methane Gas from Subject Formations in Oakwood Unit Number K-12/K-12B in Buchanan County, Virginia, which Subject Lands are more particularly described in Exhibit "A";
- 17.5 Applicant currently does not propose to produce any wells on the Subject drilling Unit to develop the pool of Gas in Subject Formations, but instead intends to operate and develop Subject Drilling Unit by the use of Wells located outside of Subject Drilling Unit by allocating production from said Wells to Subject Drilling Unit;
- 17.6 Subject Drilling Unit is located in the VP No. 1 Mine's Nos. 5, 6 and 7 Longwall Panels as reflected on the mine plan attached hereto as Exhibit G;
- 17.7 VP No. 1 mine underlying Subject Drilling Unit is currently idle; however, according to testimony presented to the Board, it has not been sealed. Due to the fact that active mining is not proposed to occur simultaneously with the production of Gas from Subject

Drilling Unit, the Unit Operator is proposing to use wells located in the 5, 6, and 7 longwall panels of the VP1 mine within Subject Drilling Unit;

17.8 The estimated total production from Subject Drilling Unit is 125 to 550 MMCF. The estimated amount of reserves from the Subject Drilling Unit is 125 to 550 MMCF;

17.9 Set forth in Exhibit B-3 is the name and last known address of each Owner or Claimant identified by the Applicant as having or claiming an interest in the Coalbed ethane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, who has not, in writing, leased to the Applicant or the Unit Operator or agreed to voluntarily pool his interests in Subject Drilling Unit for its development. The interests of the Respondents listed in Exhibit B-3 comprise 23.8125 percent of the oil and gas interests, 100.00 percent of the coal interests above 800' in Subject Drilling Unit;

17.10 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in Paragraph 9 above;

17.11 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person listed and named in Exhibit B-3 hereto the opportunity to recover or receive, without unnecessary expense, such person's just and fair share of the production from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of coalbed methane gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.

18. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of recording of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of its receipt to each unleased Respondent named in Exhibit B-3 pooled by this Order and whose address is known.

19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

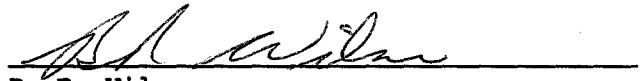
21. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq. and Rule 2A of the Rules of the Virginia Supreme Court.

22. Effective Date: This Order shall be effective on September 16, 1997.

DONE AND EXECUTED this 1st day of December, 1999, by a majority of the Virginia Gas and Oil Board.

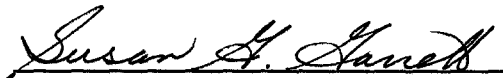

Chairman, Benny R. Wampler

DONE AND PERFORMED this 9th day of December, 1999, by Order of this Board.


B. R. Wilson
Acting Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 1st day of December, 1999, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires July 31, 2002

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 9th day of December, 1999, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Acting Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires September 30, 2001

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.

BOOK 499 PAGE 341

N 349,060.07
E 965,498.99

N 348,990.29
E 967,363.43

80 ACRE UNIT

2

1

3

1

N 347,191.46
E 965,428.53

N 347,121.63
E 967,293.01

Otter

NORFOLK

LEGEND

TRACT LAND HOOK

TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT K-12
FORCE POOLING
VGOB-99-0720-0735

Company CONSOL Inc. Well Name and Number UNIT K12

Tract No. Elevation Quadrangle Wansant

County Buchanan District S. Grundy Scale: 1" = 400' Date 6/9/99

This plot is a new plot X ; an updated plot or a final plot

Form 260-50-T
Rev. 3/99

Charles G. May
Licensed Professional Engineer or Licensed Land Surveyor

10053

Sec. 1

CONSOL INC.
UNIT K-12
Tract Identifications

BOOK **499** PAGE **342**

1. Yukon Pocahontas Coal Company, et al, Tr. 103 - Fee
Coal Lessees
Island Creek Coal Company - Coal Below Tiller
Jewell Smokeless Coal Corp. - Coal Above Drainage
Buchanan Production Company - CBM Lessee
53.34 acres 66.6750%
2. Georgia - Pacific Corporation - Fee
Coal Lessees
Island Creek Coal Company - Coal Below Tiller
Jewell Smokeless Coal Corp. - Coal Above Drainage
Buchanan Production Company - CBM Lessee
7.61 acres 9.5125%
3. Norfolk Southern Corp. - Coal, (surface down 800') & Oil & Gas
Yukon Pocahontas Coal Company, et al, Tr. 103 - Remainder of Coal
Coal Lessees
Island Creek Coal Company - Coal Below 800'
Jewell Smokeless Coal Corp. - Coal Above Drainage
Buchanan Production Company - CBM Lessee below 800'
19.05 acres 23.8125%

UNIT K-12
Docket No. VGOB-99-0720-0735
Exhibit E

List of Conflicting Owners/Claimants that require escrow

List of Conflicting Owners/Claimants that require escrow		Division of Interest In		
Net Acres In Unit	Interest in Unit	5-Panel 33.60930%	6-Panel 35.54140%	7-Panel 18.51904%
TRACT #3 - 19.05 acres				
COAL FEE OWNERSHIP				
(1) Yukon Pocahontas Coal Co. et.al. Tr 103 (coal below 800') P. O. Box 187 Tazewell, VA 24651	19.05 acres	23.81250%	8.00321%	8.46330%
OIL & GAS FEE OWNERSHIP				
	19.05 acres	23.81250%	8.00321%	8.46330%
				4.40985%

UNIT K-12
Docket No. VGOB-99-0720-0735
Exhibit B-3
List of Unleased Owners/Claimants

	Net Acres in Unit	Interest In Unit	Division of Interest in		
			5-Panel 33.60930%	6-Panel 35.54140%	7-Panel 18.51904%
<u>I. COAL FEE OWNERSHIP</u>					
<u>TRACT #3 - 19.05 acres</u>					
(1) Norfolk Southern Corp. (coal surface down 800') Real Estate Dept. 185 Spring Street Atlanta, GA 30303	19.05 acres	23.81250%	8.00321%	8.46330%	4.40985%
<u>II. OIL & GAS FEE OWNERSHIP</u>					
<u>TRACT #3 - 19.05 acres</u>					
(1) Norfolk Southern Corp. Real Estate Dept. 185 Spring Street Atlanta, GA 30303	19.05 acres	23.81250%	8.00321%	8.46330%	4.40985%

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UNIT K-12
VIRGINIA GAS AND OIL BOARD
DOCKET NO. VGOB-99-0730-0735
EXHIBIT 3

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 13th day of December, 1999. Deed Book No. 499 and Page No. 327. TESTE: James M. Bevins, Jr., Clerk
TESTE: [Signature] Deputy Clerk

ENTERED

Department of Mines, Minerals and Energy
DIVISION OF GAS & OIL
POST OFFICE BOX 1416
ABINGDON, VIRGINIA 24212

BY: _____

INSTRUMENT #998888189
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY OH
DECEMBER 13, 1999 AT 12:46PM
JAMES M. DEVINS JR., CLERK

BREAK ALL
AND

ULT
PERM.

DO NOT
PEEL

More Line
Away

More Line
Away

COMMONWEALTH OF VIRGINIA

OFFICIAL RECEIPT
BUCHANAN COUNTY CIRCUIT COURT
DEED RECEIPT

DATE: 12/13/99 TIME: 12:46:41 ACCOUNT: 027CLR990003109 RECEIPT: 99000007796
CASHIER: LD REG: BU01 TYPE: POOLING PAYMENT: FULL PAYMENT
INSTRUMENT : 990003109 BOOK: PAGE: RECORDED: 12/13/99 AT 12:46
GRANTOR: VIRGINIA GAS & OIL BOARD EX: N LOC: CO
GRANTEE: BUCHANAN PRODUCTION CO EX: N PCT: 100%
AND ADDRESS :
RECEIVED OF : DEPT OF MINES MINERAL ENERGY
CHECK : \$29.00
DESCRIPTION 1: POOLING

CONSIDERATION:	.00	ASSUME/VAL:	.00	MAP:	
CODE DESCRIPTION		PAID	CODE DESCRIPTION		PAID
301 DEEDS		28.00	145 VSLF		1.00

TENDERED :	29.00
AMOUNT PAID:	29.00
CHANGE AMT :	.00

CLERK OF COURT: JAMES M. BEVINS JR.